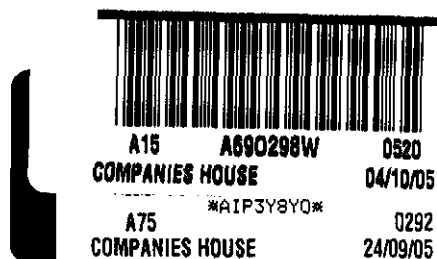




CARISBROOKE SHIPPING HOLDINGS LIMITED

Company registered in England and Wales Number 3783705

REPORT AND FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31 DECEMBER 2004



Registered Office : 10 Mill Hill Road, Cowes, Isle of Wight PO31 7EA

Carisbrooke Shipping Holdings Limited

DIRECTORS

W Wester	B Rosenmøller
I A Walker	R Wester
G Croucher	P Jones

COMPANY SECRETARY AND REGISTERED OFFICE

Mrs M A Riley
10 Mill Hill Road
Cowes PO31 7EA
Isle of Wight

BANKERS

National Westminster Bank
84 High Street
Notebeme House
Southampton SO14 2NT

AUDITORS

Grant Thornton UK LLP
Manor Court
Barnes Wallis Road
Segensworth, Fareham
Hampshire PO15 5GT

SOLICITORS

Eversheds LLP
Central Square South
Orchard Street
Newcastle upon Tyne
NE1 3XX

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CARISBROOKE SHIPPING HOLDINGS LIMITED AND ITS SUBSIDIARIES

REPORT OF THE DIRECTORS

For the year ended 31 December 2004

The directors submit their report and the financial statements of Carisbrooke Shipping Holdings Limited for the year ended 31 December 2004.

Principal activities

The company is an investment holding company and a ship operating company. The group's activities are the ownership, operation and trading of motor vessels. The group provides ancillary services related to this trade.

Review of the business

The results for this financial year are satisfactory. The directors' strategy is to develop the existing shipowning business by further investments where opportunities arise and to maintain a modern, safe and profitable fleet of ships.

Post balance sheet events

Since the balance sheet date the group has purchased and subsequently sold the Laurina Neeltje and also sold the Arrow, Anna and Vedette. Additionally the group has contracted to purchase a number of new ships (see Note 25)

Results and dividends

The audited financial statements for the year ended 31 December 2004 are set out on pages 4 to 29. The profit for the year after taxation was £8,635,010 (31 December 2003 : £1,876,091)

The directors recommend a dividend of £195,000 (2003 : £97,500)

Directors' interests

The directors in office at the end of the year are listed below. R Wester and P Jones were appointed directors on 1 May 2005. The interests of the directors and their families in the shares of the company at 31 December 2004 and 1 January 2004, as recorded in the register maintained by the company in accordance with the provisions of the Companies Act 1985, were as follows:

Ordinary shares of £1 each

	31 December 2004	1 January 2004
W Wester	400,000	400,000
G Croucher	300,000	300,000
I A Walker	125,000	125,000
D J Poulton (resigned 31 March 2004)	50,000	50,000
B Rosenmöller	-	-

CARISBROOKE SHIPPING HOLDINGS LIMITED AND ITS SUBSIDIARIES

REPORT OF THE DIRECTORS (Continued)

For the year ended 31 December 2004

Political and charitable gifts

Contributions for charitable purposes amounting to £22,546 (31 December 2003 : £600) were made in the year.

Directors' responsibilities for the financial statements

Company law in the United Kingdom requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the group and of the group profit or loss for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

On 1 July 2004, the Grant Thornton partnership transferred its business to a limited liability partnership, Grant Thornton UK LLP. Under section 26(5) of the Companies Act 1989, the directors consented to extend the audit appointment to Grant Thornton UK LLP from 1 July 2004. Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD

I Walker
Director

Date 1 September 2005

Registered Office

10 Mill Hill Road
Cowes
Isle of Wight
PO31 7EA

Company Registration Number

3783705 in England and Wales

CARISBROOKE SHIPPING HOLDINGS LIMITED AND ITS SUBSIDIARIES

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the financial statements of Carisbrooke Shipping Holdings Limited for the year ended 31 December 2004 which comprise the consolidated profit and loss account, the consolidated balance sheet, the company balance sheet, the consolidated cash flow statement, the consolidated statement of total recognised gains and losses and the notes 1 to 28. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the directors' report and the financial statements in accordance with United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the directors' report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the affairs of the group and company as at 31 December 2004 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
PORTSMOUTH

Grant Thornton UK LLP

Date 1 SEPTEMBER 2005

CARISBROOKE SHIPPING HOLDINGS LIMITED AND ITS SUBSIDIARIES

PRINCIPAL ACCOUNTING POLICIES

ACCOUNTING CONVENTION

The principal accounting policies of the group have remained unchanged from the previous year.

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of freehold property, and in accordance with applicable accounting standards.

The company has invoked a true and fair override of the Companies Act 1985 as permitted by FRS 2 Accounting for subsidiary undertakings in respect of accounting for goodwill when an associated undertaking becomes a subsidiary (see note 27)

TURNOVER

Turnover is the total amount receivable by the company in the ordinary course of business with outside customers in respect of gross freight, time charter hire, agency fees and commissions, excluding VAT and trade discounts. Gross freights and related expenditure for trading motor vessel operations are accounted for on a daily basis as earned.

BASIS OF CONSOLIDATION

The group financial statements consolidate the financial statements of the company and its subsidiaries (note 10). The financial statements of all companies have been prepared to 31 December 2004.

ASSOCIATED UNDERTAKINGS

Undertakings, other than subsidiary undertakings, in which the group has an investment representing at least 20% of the voting rights and over which it exerts significant influence are treated as associated undertakings.

The group's share of the results of the associated undertakings is included in the group profit and loss account. The group's balance sheet includes the investment in the associated undertakings at the group's share of net assets.

GOODWILL

Goodwill arising on consolidation / purchased goodwill representing the excess of the fair values of the consideration given over the fair values of the identifiable net assets acquired is capitalised and amortised in a straight-line basis over its estimated useful economic life.

Negative goodwill is written back to the profit and loss account over its useful economic life.

BRANCH UNDERTAKINGS

The net investment in 100% owned ships are treated as individual branches. These branches are fully consolidated at the balance sheet date. The net investment in the branches is treated in accordance with the foreign currency note below.

CARISBROOKE SHIPPING HOLDINGS LIMITED AND ITS SUBSIDIARIES

PRINCIPAL ACCOUNTING POLICIES

TANGIBLE FIXED ASSETS

Depreciation is calculated to write down the cost less estimated residual value of tangible fixed assets by equal instalments over their expected economic useful lives.

The annual rates generally applicable are:

Freehold property	2%
Office equipment	20% - 33%
Motor vehicles	20%

Depreciation of trading motor vessels is calculated to write off the cost of each vessel to estimated residual value on a straight-line basis over the expected useful life of each vessel. Each vessel is assumed to have a 25 year economic life from launch and the cost of the vessel is amortised over the remainder of that year from purchase. Each year, the directors review the remaining economic life and estimated residual value of all vessels to ensure depreciation is provided on the most appropriate basis.

REVALUED ASSETS

No revaluation of trading motor vessels is taken into account when drawing up the financial statements. However, an annual fleet valuation has been conducted as usual and is reported in note 8.

INVESTMENTS

Investments are included at cost.

STOCK

Marine fuel is stated at cost. Other stock is stated at the lower of cost and net realisable value.

DEFERRED TAXATION

Deferred tax is recognised on all timing differences where the transactions or events that give the group an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

FOREIGN CURRENCIES

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date.

The financial statements of foreign subsidiaries are translated at the rate of exchange ruling at the balance sheet date. The exchange differences arising from the re-translation of the opening net investment in subsidiaries are taken directly to reserves.

CARISBROOKE SHIPPING HOLDINGS LIMITED AND ITS SUBSIDIARIES

PRINCIPAL ACCOUNTING POLICIES

ASSETS HELD UNDER HIRE PURCHASE AND LEASING AGREEMENTS

Where assets are financed by hire purchase or leasing agreements that give risks and rewards approximating to ownership they are treated as if they had been purchased outright on credit. They are therefore initially recorded as a fixed asset and a liability at a sum equal to the fair value of the asset. Payments on such assets are regarded as consisting of a capital element which reduces the outstanding liability and an interest charge.

The total payments made under operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

CONTRIBUTION TO PENSION FUNDS

The group operates individual defined contribution schemes for the executive directors and certain employees. The pension costs are charged against profits to represent the amount of the contributions payable to the schemes in respect of the accounting year.

SURVEY COSTS

Survey expenses are charged in arriving at the operating results in the year in which they are incurred.

SHIP INSURANCE

The ships are fully insured outside the group.

CARISBROOKE SHIPPING HOLDINGS LIMITED AND ITS SUBSIDIARIES

GROUP PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2004

	Note	Year to 31st December 2004 £'000	Year to 31st December 2003 £'000
Turnover	1		
Continuing operations		21,527	11,229
Discontinued operations		564	991
Cost of sales		(12,593)	(5,329)
Gross profit		9,498	6,891
Administrative expenses		(4,165)	(4,122)
Other operating charges		(700)	(231)
Other operating income		788	1,103
Operating costs		(4,077)	(3,250)
Operating profit			
Continuing operations		5,144	3,064
Discontinued operations		277	576
		5,421	3,640
Share of operating profit / (loss) of associated undertaking		676	(107)
Exchange (losses) / gains		(193)	319
Profit on ordinary activities before interest and taxation		5,904	3,852
Interest receivable	2	195	272
Interest payable on bank loans and overdrafts	2	(1,035)	(1,454)
Interest payable on finance leases	2	(63)	-
Gain / (loss) on disposal of fixed assets		3,834	(73)
Gain / (loss) on disposal of discontinued operations	10	293	-
Profit on ordinary activities before taxation		9,128	2,597
Taxation on profit on ordinary activities	4	(103)	(621)
Profit on ordinary activities after taxation	6	9,025	1,976
Minority interest		(195)	(5)
Equity dividends	5	(195)	(95)
Retained Profit for the financial year		8,635	1,876

The accompanying accounting policies and notes form an integral part of these financial statements.

CARISBROOKE SHIPPING HOLDINGS LIMITED AND ITS SUBSIDIARIES

GROUP BALANCE SHEET AS AT 31 DECEMBER 2004

	Note	31 December 2004		31 December 2003	
		£'000	£'000	£'000	£'000
Fixed assets					
Positive goodwill	7		493	-	
Negative goodwill	7		(806)	(4,012)	
Tangible assets	8		28,066	37,799	
Investments	10		5,316	3,292	
			33,070	37,079	
Current assets					
Stock	11	302		525	
Debtors - due within one year	12	12,871		10,152	
Debtors - due after more than one year	12	4,193		123	
Cash at bank and in hand		8,672		6,245	
		26,038		17,045	
Creditors: amounts falling due within one year	13	(16,359)		(15,761)	
Net current assets			9,679	1,284	
Total assets less current liabilities			42,749	38,364	
Creditors: amounts falling due after more than one year	14		(23,415)	(26,967)	
Provision for liabilities and charges	15		(718)	(158)	
			18,615	11,239	
Capital and reserves					
Called up share capital	17		975	975	
Capital redemption reserve			25	25	
Share premium	18		25	25	
Profit and loss account	18		16,717	7,815	
Equity shareholders' funds			17,742	8,840	
Minority interests			873	2,399	
			18,615	11,239	

The financial statements were approved by the Board on 1 September 2005 and signed on its behalf by

I Walker

Director

The accompanying accounting policies and notes form an integral part of these financial statements.

CARISBROOKE SHIPPING HOLDINGS LIMITED AND ITS SUBSIDIARIES

COMPANY BALANCE SHEET AS AT 31 DECEMBER 2004

	Note	31 December 2004		31 December 2003	
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	9		12,949		15,951
Investments	10		5,208		5,242
			<u>18,157</u>		<u>21,193</u>
Current assets					
Debtors - due within one year	12	8,061		7,470	
Debtors - due after more than one year		4,076		-	
Cash at bank and in hand		67		1	
		<u>12,204</u>		<u>7,471</u>	
Creditors: amounts falling due within one year	13	(4,616)		(8,786)	
		<u></u>		<u></u>	
Net current assets			7,588		(1,315)
			<u></u>		<u></u>
Total assets less current liabilities			25,745		19,878
Creditors: amounts falling due after more than one year	14		(16,681)		(14,617)
Provision for liabilities and charges	15		(379)		(111)
			<u></u>		<u></u>
Net assets			8,685		5,150
			<u></u>		<u></u>
Capital and reserves					
Called up share capital	17		975		975
Share premium			25		25
Capital redemption reserve	18		25		25
Profit and loss account	18		7,660		4,125
			<u></u>		<u></u>
Equity shareholders' funds	19		8,685		5,150
			<u></u>		<u></u>

The financial statements were approved by the Board on 1 September 2005 and signed on its behalf by

I Walker

Director

The accompanying accounting policies and notes form an integral part of these financial statements.

CARISBROOKE SHIPPING HOLDINGS LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2004

		Year to 31st December 2004 £'000	Year to 31st December 2003 £'000
	Note		
Net cash inflow from operating activities	22	6,276	6,190
Returns on investment and servicing of finance			
Interest received		195	272
Interest paid		(1,098)	(1,454)
Net cash outflow from returns on investment and servicing of finance		(903)	(1,182)
Taxation		(455)	(286)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(8,016)	(274)
Sale of tangible fixed assets		19,245	10,726
Purchase of investments		(1,122)	(1,635)
Disposal of investments		(0)	-
Net cash inflow from capital expenditure and financial investment		10,107	8,817
Acquisitions and disposals			
Disposal of subsidiary undertaking		1,382	-
Purchase of subsidiary undertaking		(1,059)	(7,805)
Net cash from purchase of subsidiary undertaking		(2,262)	(1,114)
		(1,939)	(8,919)
Equity dividends paid		(98)	(180)
Financing			
Receipt from borrowing		9,022	11,948
Repayment of borrowing		(19,292)	(15,972)
Repurchase of shares		-	(75)
Capital element of finance lease		(58)	(2)
Net cash outflow from financing		(10,328)	(4,101)
Increase / (decrease) in cash	22	2,660	340

The accompanying accounting policies and notes form an integral part of these financial statements.

CARISBROOKE SHIPPING HOLDINGS LIMITED AND ITS SUBSIDIARIES

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 December 2004

	Year to 31st December 2004 £'000	Year to 31st December 2003 £'000
Profit for the financial year	8,635	1,876
Repurchase of shares	-	(75)
Currency translation gains on foreign currency net investments	257	755
Total recognised gains and losses relating to the year	8,892	2,556
Prior year adjustment	-	427
Total gains and losses recognised since last financial statements	8,892	2,983

This statement is prepared in accordance with FRS 3. In accordance with that Standard, adjustments to goodwill arising on consolidation relating to the purchase of subsidiaries are excluded.

CARISBROOKE SHIPPING HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

In the opinion of the directors the group is involved in one activity being the operation of trading motor vessels. Directors consider that disclosure of the geographical market analysis would be seriously prejudicial to the interests of the group therefore this information is not provided.

		Year to 31st December 2004 £'000	Year to 31st December 2003 £'000
Profit on ordinary activities before taxation is stated after charging:			
Depreciation charge for the year	- owned assets, continuing operations	1,950	1,833
	- owned assets, discontinued operations	6	-
	- leased assets	72	-
Auditors' remuneration	- UK audit services	48	69
	- overseas audit services	70	71
Charges relating to operating leases		8	-

In 2003 other operating income relates to fees earned for the management of new ship builds and the set up of the new KG investments. There were no such items in 2004.

2 INTEREST

	Year to 31st December 2004 £'000	Year to 31st December 2003 £'000
On bank loans and overdrafts	(1,035)	(1,454)
Finance lease interest payable	(63)	-
Interest receivable	195	272
	(903)	(1,182)

3 DIRECTORS AND EMPLOYEES

The average monthly number of persons (including directors) employed by the group during the year was:

	2004	2003
Non-executive directors	2	3
Executive directors	2	2
Other	140	75
	144	80

CARISBROOKE SHIPPING HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

3 DIRECTORS AND EMPLOYEES (continued)

Staff costs for the above persons:

	Year to 31st December 2004 £'000	Year to 31st December 2003 £'000
Wages and salaries	4,542	2,859
Social security costs	235	297
Other pension costs	148	135
	<hr/>	<hr/>
	4,925	3,291
	<hr/>	<hr/>

Crew costs are dealt with through a crewing agency and amounted to £1,801,870 (31 December 2003 - £1,411,824)

Remuneration in respect of directors was as follows:

	Year to 31st December 2004 £'000	Year to 31st December 2003 £'000
Emoluments	319	228
Pension contributions	75	72
	<hr/>	<hr/>
	394	300
	<hr/>	<hr/>

The amounts set out above include remuneration in respect of the highest paid director as follows:

	Year to 31st December 2004 £'000	Year to 31st December 2003 £'000
Emoluments	126	111
Pension contributions	69	60
	<hr/>	<hr/>
	195	171
	<hr/>	<hr/>

Retirement benefits for 2 directors are accruing under money purchase pension schemes in respect of qualifying services.
(2003 : 2)

CARISBROOKE SHIPPING HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

4 TAX ON PROFIT ON ORDINARY ACTIVITIES

	Year to 31st December 2004 £'000	Year to 31st December 2003 £'000
The tax charge is based on the profit for the year and comprises:		
Current year provision	18	345
Overseas taxation	85	109
Current tax charge for the year	103	454
Adjustment in respect of prior years	-	167
	103	621

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 30%.
The differences are explained as follows:

	Year to 31st December 2004 £'000	Year to 31st December 2003 £'000
Profit on ordinary activities before tax	9,128	2,597
Profit on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 30% (2003 : 30%).	2,738	779
Effect of :		
Earnings on vessels assessable under tonnage tax	(1,848)	(486)
Expenses not deductible for tax purposes	31	67
Income not taxable	-	(10)
Transfer pricing adjustment	56	159
Expenses treated on a paid basis	12	-
Depreciation in excess of capital allowances	16	5
Tax on tonnage tax profits / corporation tax	12	2
Differing tax rates overseas	(10)	(63)
Losses brought forward	19	-
Rolled over capital gains	(935)	-
Other	11	-
Adjustment to prior year corporation tax provision	-	168
Current tax charge for the year	103	621

CARISBROOKE SHIPPING HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

5 DIVIDENDS

	31 December 2004 £'000	31 December 2003 £'000
Ordinary shares - final dividend of 20p per share (2003 : 10p per share)	195	98

The profit and loss charge of £95,000 in 2003 reflects a release from 2002 of £2,500 in dividends not payable.

6 PROFIT ATTRIBUTABLE TO CARISBROOKE SHIPPING HOLDINGS LIMITED

The parent company has taken advantage of section 230 of the Companies Act 1985 and has not included its own profit and loss in the financial statements.

The group profit for the year includes a profit of £3,710,832 (2003 : £1,090,721) that is dealt with in the financial statements of the company.

7 INTANGIBLE FIXED ASSETS - GROUP

	Positive Goodwill £'000	Negative Goodwill £'000
Cost		
At 1 January 2004	-	(4,200)
Additions	505	-
Exchange differences	-	-
Disposals	-	3,217
	<hr/>	<hr/>
At 31 December 2004	505	(983)
	<hr/>	<hr/>
Amortisation		
At 1 January 2004	-	187
Charge for the year	(12)	282
Disposals	-	(292)
	<hr/>	<hr/>
At 31 December 2004	(12)	177
	<hr/>	<hr/>
Net book value		
At 31 December 2003	-	(4,012)
	<hr/>	<hr/>
At 31 December 2004	493	(806)
	<hr/>	<hr/>

The positive goodwill has arisen on the purchase of Medina Shipping, as referred to in note 27. The negative goodwill associated with the purchase of Beck Shipping in 2003, much of the negative goodwill has been written off in 2004 as the majority of the motor vessels originally purchased with Beck Shipping have subsequently been sold.

CARISBROOKE SHIPPING HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

8 TANGIBLE FIXED ASSETS

The Group

	Freehold land and buildings £'000	Motor vessels £'000	Office equipment £'000	Motor vehicles £'000	Total £'000
Cost or valuation					
At 1 January 2004	256	39,588	458	80	40,382
Exchange adjustments	-	23	0	0	23
Additions on acquisition	-	5,621	-	-	5,621
Additions	-	7,879	63	74	8,016
Disposals	-	(19,761)	(38)	(20)	(19,819)
At 31 December 2004	256	33,350	483	134	34,223
Depreciation					
At 1 January 2004	19	2,374	169	21	2,583
Exchange adjustments	-	2	0	0	2
Addition on acquisition	-	2,813	-	-	2,813
Charge for year	5	1,868	144	11	2,028
Disposals	-	(1,225)	(24)	(20)	(1,269)
At 31 December 2004	24	5,832	289	12	6,157
Net book value					
At 31 December 2003	238	37,214	289	59	37,799
At 31 December 2004	232	27,518	194	122	28,066

The trading motor vessels in which the group had an interest, excluding those acquired during the year, were valued by Anglo Dutch (S&P). The basis of the valuation was market value between a willing buyer and a willing seller for further trading, charter free in seaworthy condition and compatible with their present class and trading certificates as at 31 December 2004.

The valuation of the group's interest in their trading motor vessels as at 31 December 2004 amounted to £38,932,225 against a net book amount of £27,517,382

Included within the Net Book Value of £28,066,000 is £2,736,000 (2003 : £11,483) relating to assets held under finance leases and hire purchase agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £72,390 (2003 : £2,600)

CARISBROOKE SHIPPING HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

9 TANGIBLE FIXED ASSETS (Continued)

The Company	Motor vessels	Total
Cost or valuation	£'000	£'000
At 1 January 2004	17,083	17,083
Additions	2,950	2,950
Disposals	(5,688)	(5,688)
Exchange adjustments	8	8
At 31 December 2004	14,353	14,353
Depreciation		
At 1 January 2004	1,132	1,132
Charge for year	975	975
Disposals	(704)	(704)
Exchange adjustments	1	1
At 31 December 2004	1,404	1,404
Net book value		
At 1 January 2004	15,951	15,951
At 31 December 2004	12,949	12,949

CARISBROOKE SHIPPING HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

10 FIXED ASSET INVESTMENTS

At 31 December 2004 the group had interests in the following subsidiaries and associated undertakings

Subsidiary undertakings

Subsidiary undertakings	Country of incorporation & operation	Class of share capital held	Proportion held by the group	Nature of business
Carisbrooke Shipping Limited	England and Wales	Ordinary	* 100%	Ship operating
Carisbrooke Shipping (Holland) BV	The Netherlands	Ordinary	100%	Ship operating
Soetermeer Fekkes Cargadoorskantoor BV	The Netherlands	Ordinary	100%	Ship operating
Rotterdam Manning Services BV	The Netherlands	Ordinary	100%	Crew agency
Merweship BV	The Netherlands	Ordinary	100%	Ship operating
Carisbrooke Shipping Verwaltung GmbH	Germany	Ordinary	100%	Ship managing
Merwezoon CV	The Netherlands	Ordinary	57%	Ship operating
Carisbrooke Shipping (Management) Limited	England and Wales	Ordinary	100%	Dormant
Carisbrooke Shipping Germany GMBH	Germany	Ordinary	100%	Ship operating
Carisbrooke Shipping (CV1) BV	The Netherlands	Ordinary	100%	Ship operating
Carisbrooke Shipping (CV2) BV	The Netherlands	Ordinary	100%	Ship operating
Carisbrooke Shipping (CV3) BV	The Netherlands	Ordinary	100%	Ship operating
Carisbrooke Shipping (CV4) BV	The Netherlands	Ordinary	100%	Ship operating
Carisbrooke Shipping (CV5) BV	The Netherlands	Ordinary	100%	Ship operating
Carisbrooke Shipping (CV6) BV	The Netherlands	Ordinary	100%	Ship operating
Carisbrooke Shipping Jannie C BV	The Netherlands	Ordinary	100%	Ship operating
Baybreak Limited	England and Wales	Ordinary	100%	Ship operating
Enzian Shipping Limited	England and Wales	Ordinary	100%	Ship operating
Heleen Shipping Limited	England and Wales	Ordinary	100%	Dormant
Klazina Shipping Limited	England and Wales	Ordinary	100%	Ship operating
Vectis Shipping Limited	England and Wales	Ordinary	100%	Dormant
Jill C Limited	England and Wales	Ordinary	100%	Ship operating
Lia C Limited	England and Wales	Ordinary	100%	Ship operating
Merweship Management BV	The Netherlands	Ordinary	100%	Crew agency
Northern Ship Management	The Netherlands	Ordinary	100%	Ship managing

* Interest held directly by the holding company

CARISBROOKE SHIPPING HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

10 FIXED ASSET INVESTMENTS (CONTINUED)

Interests in subsidiary undertakings

	Group 31 December 2004 £'000	Company £'000	Group 31 December 2003 £'000	Company £'000
Total fixed asset investments comprise				
Interests in subsidiary undertakings	-	5,208	-	5,242
Interests in associated undertakings	-	-	(608)	-
Other fixed asset investments	5,316	-	3,900	-
	<u>5,316</u>	<u>5,208</u>	<u>3,292</u>	<u>5,242</u>

During the year Carins BV was sold by the group. The profit on disposal is calculated as follows:

	£'000
Net proceeds of sale	295
Share of net assets on disposal	(2)
	<u>293</u>

During the year the group sold its shares in Jannie C CV. The profit on disposal was £217,289. There was no goodwill to be eliminated against reserves

Interests in other fixed asset investments	£'000
At 1 January 2004	3,900
Additions	1,123
Exchange adjustments	(12)
Reversal of impairment	500
Impairment	<u>(194)</u>
At 31 December 2004	<u>5,316</u>

The impairment relates to the writing down to zero of the group's investment in CVs 1,2 and 3 and to the net book value of CVs 4, 5 and 6. CV 4 completes on 31 December 2005 and CVs 5 and 6 on 31 December 2006.

11 STOCK AND WORK IN PROGRESS

	Group 31 December 2004 £'000	Company £'000	Group 31 December 2003 £'000	Company £'000
Vessel consumables	302	-	525	-

There was no significant difference between replacement cost and the values disclosed.

CARISBROOKE SHIPPING HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

12 DEBTORS

	Group 31 December 2004 £'000	Company 31 December 2004 £'000	Group 31 December 2003 £'000	Company 31 December 2003 £'000
Amounts falling due within one year:				
Trade debtors	1,514	-	4,122	-
Amounts owed by group undertakings	-	5,946	-	7,470
Amounts owed by associated undertakings	-	-	805	-
Amounts owed by related undertakings	3,791	-	2,248	-
Other debtors	4,775	-	1,487	-
Prepayments and accrued income	2,791	2,115	1,490	-
	<u>12,871</u>	<u>8,061</u>	<u>10,152</u>	<u>7,470</u>
Amounts falling due after more than one year:				
Other debtors	4,193	4,076	123	-
	<u>17,064</u>	<u>12,137</u>	<u>10,275</u>	<u>7,470</u>

Included within other debtors are loans to directors (note 28).

13 CREDITORS

	Group 31 December 2004 £'000	Company 31 December 2004 £'000	Group 31 December 2003 £'000	Company 31 December 2003 £'000
Amounts falling due within one year:				
Instalments due on bank loans and overdrafts	1,807	1,179	3,020	624
Finance leases	235	-	2	-
Other loans	156	156	3,032	3,032
Trade creditors	4,815	-	4,288	-
Amounts owed to related undertakings	2,016	96	444	-
Amounts owed to subsidiary undertakings	0	1,775	-	4,740
Proposed dividend	195	195	98	98
Corporation tax	172	-	345	99
Other taxation and social security	796	-	49	-
Other creditors	2,638	883	1,642	-
Accruals and deferred income	3,529	332	2,841	193
	<u>16,359</u>	<u>4,616</u>	<u>15,761</u>	<u>8,786</u>

CARISBROOKE SHIPPING HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

13 CREDITORS (Continued)

The bank overdrafts and loans are secured by a floating charge over the assets of the company, by cross guarantees and fixed charges over book debts, freehold property and motor vessels of companies of the Carisbrooke Shipping Holdings Limited group.

14 CREDITORS

	Group 31 December 2004 £'000	Company 31 December 2004 £'000	Group 31 December 2003 £'000	Company 31 December 2003 £'000
Amounts falling due after more than one year:				
Shareholder loans	416	416	762	762
Non-shareholder loans	1,795	1,725	2,122	2,052
Finance leases	2,993	-	9	-
Bank loans	18,211	14,539	24,074	11,803
	<u>23,415</u>	<u>16,680</u>	<u>26,967</u>	<u>14,617</u>

	Group 31 December 2004 £'000	Company 31 December 2004 £'000	Group 31 December 2003 £'000	Company 31 December 2003 £'000
Bank loans and overdrafts including current instalments are repayable as follows:				
<i>Within one year</i>				
Bank loans and overdrafts	1,639	1,179	3,020	624
<i>After one and within two years</i>				
Bank loans	5,008	4,089	2,673	822
<i>After two and within five years</i>				
Bank loans	5,529	4,150	7,656	2,467
<i>After five years</i>				
Bank loans	7,673	6,300	13,744	8,514
	<u>19,849</u>	<u>15,718</u>	<u>27,093</u>	<u>12,427</u>

	Group 31 December 2004 £'000	Company 31 December 2004 £'000	Group 31 December 2003 £'000	Company 31 December 2003 £'000
Finance leases are repayable as follows				
Finance lease : amounts within 1 year	235	-	2	-
Finance lease : amounts due between 1 - 2 years	2,989	-	3	-
Finance lease : amounts due between 2 - 5 years	4	-	6	-
	<u>3,228</u>	<u>-</u>	<u>11</u>	<u>-</u>

The group and company has a number of long term loans repayable as above at varying rates of interest of 1.25% over UK base rates and between 1.245% and 2% over LIBOR.

CARISBROOKE SHIPPING HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

15 PROVISIONS FOR LIABILITIES AND CHARGES

	Group 31 December 2004 £'000	Company 31 December 2004 £'000	Group 31 December 2003 £'000	Company 31 December 2003 £'000
Survey cost provisions	71	-	47	-
Guarantee provisions	647	379	111	111
	<u>718</u>	<u>379</u>	<u>158</u>	<u>111</u>

The guarantee provisions relate to amounts that the group has guaranteed regarding maximum annual operating costs able to be recharged to the German KG shipowners. If these maximum levels are exceeded, the excess cost will be covered by the group.

All movements in the year have been provided through the profit and loss account. There has been no amortisation of discount, no amounts provided through the statement of gains and losses or in relation to a tax charge or credit relating to a revaluation reserve.

16 DEFERRED TAX

Deferred tax is not provided for in the financial statements, the total potential liabilities not provided at 31 December 2004 are set out below:

	Group 31 December 2004 £'000	Company 31 December 2004 £'000	Group 31 December 2003 £'000	Company 31 December 2003 £'000
Accelerated capital allowances	451	409	303	289

17 CALLED UP SHARE CAPITAL

	31 December 2004 £'000	31 December 2003 £'000
Authorised		
2,000,000 ordinary shares of £1 each	2,000	2,000
Allotted, called up and fully paid		
975,000 ordinary shares of £1 each	975	975

All shares in issue rank pari passu with each other in all respects.

CARISBROOKE SHIPPING HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

18 SHARE PREMIUM ACCOUNT AND RESERVES

	Profit & Loss Account £'000	Share Premium £'000	Capital Redemption £'000
The Group			
At 1 January 2004	7,815	25	25
Retained profit for the year	8,635	-	-
Currency translation differences on foreign currency net investments	267	-	-
	<u>16,717</u>	<u>25</u>	<u>25</u>
At 31 December 2004	16,717	25	25
The Company			
At 1 January 2004	4,125	25	25
Retained profit for the year	3,516	-	-
Currency translation differences on foreign currency net investments	19	-	-
	<u>7,660</u>	<u>25</u>	<u>25</u>
At 31 December 2004	7,660	25	25

CARISBROOKE SHIPPING HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

19 RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS FUNDS

	31 December 2004 £'000	31 December 2003 £'000
Equity shareholders' funds at 31 December 2003	8,840	6,284
Profit for the financial year	8,830	1,971
Dividends	(195)	(95)
	<hr/> 17,475	<hr/> 8,160
Exchange difference on retranslation of net assets of subsidiary	267	755
Amount arising on re-purchase of shares	-	(75)
	<hr/> 17,742	<hr/> 8,840
Equity shareholders' funds at 31 December 2004	<hr/> <hr/> 17,742	<hr/> <hr/> 8,840

20 PENSIONS

Contributions are made into defined contribution pension schemes on behalf of some employees of the group at rates of up to 12.5% of salary. The assets are held separately from those of the group in independently administered funds.

The pension charge represents contributions payable by the group to those funds and amounted to £147,743 (31 December 2003 : £134,744) in the year.

CARISBROOKE SHIPPING HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

21 RELATED PARTY TRANSACTIONS

The group also has an investment of more than 4% in the following and derives management and brokerage income as follows:

(i)

	Income (Note 1 below) £'000	Expenditure (Note 2 below) £'000	Net impact on results for year £'000	Amounts owed to related party £'000	Amounts owed by related party £'000
M S Margrete C Schiffahrtsgesellschaft & Co KG	75	658	(583)	171	-
MS Geja C Schiffahrtsgesellschaft & Co KG	460	274	185	-	19
MS Mary C Schiffahrtsgesellschaft & Co KG	1,066	39	1,027	-	7
MS Vanessa C Schiffahrtsgesellschaft & Co KG	771	259	511	-	58
MS Natacha C Schiffahrtsgesellschaft & Co KG	501	286	214	-	58
MS Jannie C Schiffahrtsgesellschaft & Co KG	936	228	708	-	14
MS Dina C Schiffahrtsgesellschaft & Co KG	96	51	45	-	148
MS Vectis Harrier C Schiffahrtsgesellschaft & Co KG	199	117	81	-	363
Total			<u>2,188</u>		

Note 1 – Income is derived from management fees, brokerage fees and set up fees for new KGs

Note 2 – Expenditure relates to net obligations under time charter and operating expense guarantees of KG ships managed by the group

(ii)

	Income £'000	Expenditure £'000	Amounts owed to related party £'000
MV Marie Jeanne AG	43	-	-
MV Kathrin AG	51	-	-
MV Alessia AG	45	-	-
MV Claudia AG	46	-	-
MV Sabina AG	-	3	-
MV Celine AG	20	-	-
Enzian AG	-	-	107

(iii)

	Income £'000	Amounts owed to related party £'000	Amounts owed by related party £'000
Carisbrooke CV	312	-	34
Carisbrooke Shipping CV2	184	394	-
Carisbrooke Shipping CV3	206	400	-
Carisbrooke Shipping CV4	239	180	-
Carisbrooke Shipping CV5	404	-	82
Carisbrooke Shipping CV6	108	-	41

CARISBROOKE SHIPPING HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

22 RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS

	31 December 2004 £'000	31 December 2003 £'000
Operating profit	5,421	3,640
Depreciation of tangible assets	2,028	1,833
Impairment	194	110
Amortisation	(269)	(184)
Decrease in stocks	230	112
Increase in debtors	(7,786)	(1,031)
Increase in creditors	5,899	1,862
Increase / (decrease) in provisions	559	(152)
Net cash inflow from operating activities	6,276	6,190

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	31 December 2004 £'000	31 December 2003 £'000
Increase in cash in the year	2,662	340
Cash inflow from financing	10,328	4,025
Change in debt resulting from cash flows	12,990	4,365
Loan acquired with subsidiary	(3,275)	(3,667)
New finance leases	-	(13)
Exchange differences	-	(1,423)
Movement in net debt	9,715	(738)
Net debts at 1 January 2004	(26,776)	(26,038)
Net debts at 31 December 2004	(17,061)	(26,776)

CARISBROOKE SHIPPING HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

22 ANALYSIS OF CHANGES IN NET DEBT (Continued)

	1 January 2004 £'000	Cash flow £'000	Acquisition £'000	Exchange differences £'000	31 December 2004 £'000
Cash at bank and in hand	6,245	2,423	-	4	8,672
Overdrafts	(545)	239	-		(306)
Net Cash	5,700	2,662	-	4	8,366
Debt	(32,465)	10,270	-	(4)	(22,199)
Finance leases	(11)	58	(3,275)		(3,228)
Net debt	(26,776)	12,990	(3,275)	-	(17,061)

23 OPERATING LEASE COMMITMENTS

The company entered into 3 new operating leases in the year. The minimum annual rentals under these leases are:

	Group 31 December 2004 £'000	Company 31 December 2004 £'000	Group 31 December 2003 £'000	Company 31 December 2003 £'000
Operating leases which expire:				
In two to five years	15	15	-	-

24 CONTINGENT LIABILITIES

At the balance sheet date, the company had given a guarantee of leasing commitments entered into by Medina Shipping Limited, (which had in previous years been equally shared with its partner, B.V. Holdingmaatschappij Damen). Under the terms of the guarantee, Carisbrooke Shipping Limited was potentially liable for 100% of all outstanding amounts due by Medina Shipping Limited.

Various members of the group, including the parent company, have given cross-guarantees in respect of the bank loans included in notes 13 and 14. The group has guaranteed time charters of its subsidiary SFCK for a total amount of Euro 3,500,000.

There were no other contingent liabilities at 31 December 2004 or 31 December 2003, other than as disclosed in note 16 under deferred tax.

25 CAPITAL COMMITMENTS

At 31st December 2004 the group had contracted for the construction of a number of new ships for delivery between 2005 and 2007. The group's aim is to either sell these ships wholly, or partly, with the aim to retaining commercial and/or technical management of the ships.

CARISBROOKE SHIPPING HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

26 POST BALANCE SHEET EVENTS

The group has purchased and subsequently sold the *Laurina Neeltje* and also sold the *Arrow*, *Anna* and *Vedette*.

27 ACQUISITIONS

On 30th September 2004 the group acquired the remaining 50% of the shares of Medina Shipping Ltd through its subsidiary Carisbrooke Shipping Ltd. This was effected by firstly a debt capitalisation whereby both shareholders (who had substantial amounts receivable from Medina) were issued with equity shares, reducing the net liability position of the company. Carisbrooke Shipping Ltd then acquired the other shareholder's shares in Medina for £1.

The net cost of the additional investment made by Carisbrooke Shipping Ltd under this series of transactions was £1,100,085. The acquisition balance sheet (following debt capitalisation) showed net liabilities of £471,926, which was comprised as follows:

	Tangible Fixed Assets £'000
Tangible fixed assets	2,808
Debtors	14
Stock	6
Creditors	(3,300)
	<u>(472)</u>

The net liabilities were brought into the consolidated accounts at book values which, in the directors' opinion, equate to fair values.

Prior to becoming a subsidiary undertaking, Medina Shipping Ltd was accounted for as an associated undertaking. In accordance with FRS 2 Accounting for subsidiary undertakings, and in order to present a true and fair view, purchased goodwill has been calculated as the sum of the goodwill arising on each purchase of shares in Medina Shipping Ltd, being the difference at the date of each purchase between the fair value of the consideration paid and the fair value of the identifiable assets and liabilities attributable to the interest purchased. This represents a departure from the statutory method under Companies Act 1985, under which goodwill is calculated as the difference between cost and fair value on the date that Medina Shipping Ltd became a subsidiary undertaking.

FRS 2 recognises that, where an investment in an associated undertaking is increased and it becomes a subsidiary undertaking, in order to show a true and fair view goodwill should be calculated on each purchase as the difference between the cost of that purchase and the fair value at the date of that purchase. The statutory method would not give a true and fair view because it would result in the group's share of Medina Shipping Ltd's retained reserves, during the period it was an associated undertaking, being re-characterised as goodwill. The effect of this departure is to decrease retained profits and decrease goodwill by £1,067,000.

Goodwill capitalised as a result of this treatment amounts to £506,000.

CARISBROOKE SHIPPING HOLDINGS LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

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28 TRANSACTIONS WITH DIRECTORS AND OTHER RELATED PARTIES

Amounts due in respect of loans:

Name of director	Amount outstanding		Maximum liability during the year £'000	Interest due not paid £'000
	31 December 2004 £'000	31 December 2003 £'000		
D J Poulton	31	33	31	-
I A Walker	86	91	86	-

D J Poulton resigned as a director on 31st March 2004 but the loan remained outstanding at 31st December 2004